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SMEs overleveraging debt: Andhra Bank CMD

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 56.50 ▲ 1.15 (2.08%)

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Andhra Bank chairman and managing director CVR Rajendran today said small and medium enterprises (SMEs) were overleveraging debt.

"Debt and equity are complementary to each other. The availability of equity capital is more significant in the present globalised world, as the Indian SMEs have to compete with global players and they are in need of capital at low cost," he said while addressing a seminar on listing opportunities available for the SME sector.

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According to him, the current working capital requirement of MSME is Rs 22 lakh crore. As they need huge funding for their greenfield and brownfield expansion, this will likely trigger higher listing on SME exchanges.

Debt funding has always been the preferred source of financing for the SMEs whereas the capital market offers an alternative long-term financing source. Though banks are dealing with the problem of stressed assets in corporate and SME sectors, the latter still offers room for further lending, according to him.

Listing of a company on a stock exchange gives better valuation and this would assist in fulfilling their financial requirements to execute their expansion plans, he said.

SMEs in India are characterised by low capitalisation and limited assets, geographical diversity and high mortality, and poor financial disclosure among other problems, according to him.

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